Association of Bay Area Governments
PLAN CORPORATION
Pooled Liability Assurance Network
Association of Bay Area Governments

ABAG PLAN CORPORATION

Actuary Committee Meeting
April 30, 2014

101 Eighth Street
Oakland, CA 94607
Conference Room B

Summary Minutes

Members Present:	**Jurisdiction**
Presiding:	
Mike Taylor	Saratoga
Colleen Tribby	Dublin
Edmund Suen	East Palo Alto
Emma Karlen	Milpitas

Staff Present:
Jim Hill - ABAG PLAN Risk Management Officer
Herbert Pike - ABAG CFO
Kim Chase - ABAG PLAN Administrative Assistant

Other Representative(s):
Mike Harrington - Bickmore Risk Services
Seth Cole - Alliant Insurance Service, Inc.

1. **Meeting Called to Order:**
   Meeting was called to order by Mike Taylor at 10:49 a.m.

2. **Public Comments:** None

3. **Approval of Minutes of April 24th, 2013:**
   Minutes were approved as presented.
   Approval of minutes as read by Acting Chairman.

4. Actuarial Review of Self-Funded Liability Program:

Staff (Jim Hill) presented general highlights of the March 31, 2014 Draft Actuarial report as noted in his staff report dated April 25, 2015. Staff report was included in the meeting packet.

Michael Harrington (Bickmore Risk Services) discussed in detail, the Actuarial Report. Discussion centered on reviewing PLAN estimated liability for outstanding claims as of June 30th, 2014 and projected ultimate loss costs for the 2014/2015 program year. Premium contributions by member agency were reviewed.

Highlights included:

- PLAN losses (claims) have developed favorably since the last actuarial study. The reversal in adverse development is primarily attributable to improved results for the 2009-10 and 2010-11 accident years.

- Expected incurred loss development was $4.4 million (from prior study) while actual incurred loss development was (-$1.0 million) or $5.4 million less than expected. This is a significant rebound from the loss experience of the past two years.

- The report includes adjustments to PLAN Ultimate Loss estimates to account for eight claims which have had no significant development since 12/31/13.

- PLAN outstanding liabilities have decreased from $36 million as of 6/30/13 to $31.5 million as of 6/30/14 at the expected level (50% CL), a decrease of $4.5 million. At the 90% confidence level, the outstanding liabilities decreased from $52.1 million to $45.7 million, a reduction of $6.4 million over the period.

- PLAN assets are projected to increase to $41.9 million from $39.5 million the prior year, an increase of $2.4 million.

- Risk Margin Fund balance has increased from $3.5 million as of 6/30/13 to $10.4 million as of 6/30/14.

- PLAN total premium contributions (GL/Admin/Excess) are expected to decrease by 1% from prior year driven by a 6% decrease in the average rate offset by a 5% increase in estimated exposure (total payroll).

- Report assumes no increase in excess liability premium and no increase in Administrative Expenses.

- Report assumes no additional funding requirement for Loss Prevention program.

- Member premium changes from prior FY vary significantly which is typical of our program. 17 (59%) of PLAN members will experience a reduction in their liability premium this fiscal year. 12 (41%) of PLAN members will see an increase in their liability premium contributions. One member's premium increase was capped at 30%, while another member's premium reduction was capped at 30%.

The Risk Margin Fund designed to protect the pool from adverse experience, is not fully funded. This fund accounts for a safety margin up to the 90% confidence level (optimal) and is currently funded at $10.4 million. The current funding level is equivalent to funding the pool at the 84% confidence level. This is significant improvement from the 67% CL last year.

The actuary reviewed the reports in detail and noted the PLAN Liability fund has rebounded from adverse loss development in prior years. PLAN program assets have increased while program liabilities continue to decline. The current outlook is favorable. Staff and Actuary are recommending funding at the same confidence level (60%) as prior year to ensure funding strategy is geared towards increasing program confidence level to 90% or above.

Motion to approve and accept the Actuary Report: M/Karlen/S/Tribby/C/Unanimous

5. Excess Liability and Property Insurance Coverage: Seth Cole (Alliant) presented the Program Renewal Pricing updates and discussed the state of the market, property renewal and Excess Liability Renewal pricing, and Fiduciary Liability. 2013 was a good year for the P/C market, and other than Hurricane Sandy the market was not impacted severely by catastrophic losses. Total paid catastrophic losses for the industry as a whole was 10 billion, versus previous years of over a 100 billion, freeing up industry capital. Net income is up substantially from prior year and P/C market is healthy. Policy Holder surplus outlines how much money insurance companies have to pay claims, which is at an all-time high. Workers Compensation rates remain high in the insurance markets.

Seth pointed out that FEMA is re-mapping flood zones. He also discussed the changes in commercial rates. He informed the group the PEPIP program is now called APIP (Alliant Property Insurance Program). There are no major changes in program structure or limits. Cyber liability coverage was raised. Committee Chair Mike Taylor asked Seth to provide further details on cyber liability coverage. Seth gave examples noted the trigger as a “breach of information” such as credit card information or other personal identifiable information as defined by the policy. Limit for the coverage is $1 million. Seth reviewed the Excess Liability coverages, confirming there is $25 million limits provided in excess of $5 million an addition of $5 million limits. 4 PLAN members participate in the optional XS program which provides an additional $25million limits in excess of the underlying $30million, which brings coverage up to $55million in total. Other members have expressed interest and Seth confirmed he can provide quotes. He also discussed how the current market will allow Alliant to aggressively pursue proposals for lower retained limit options. Options sought are $3 Million xs of $2 Million and $2 Million xs of $3 Million.

6. Other Business: None

7. Meeting Adjourned:

Meeting adjourned by Mike Taylor at 1:00 p.m.

Respectfully Submitted,

James Hill
Risk Management Officer